



ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

24

October 27, 2015

Los Angeles County
Board of Supervisors

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October 13, 2015

PATRICK OGAWA
ACTING EXECUTIVE OFFICER

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL TO TERMINATE THE TRI-PARTITE AGREEMENT AMONG THE
COUNTY OF LOS ANGELES, REGENTS OF THE UNIVERSITY OF
CALIFORNIA, AND HARBOR-UCLA MEDICAL FOUNDATION, INC. AND
NON-PHYSICIAN PRACTITIONER BILLING AGREEMENT BETWEEN THE
COUNTY OF LOS ANGELES AND HARBOR-UCLA MEDICAL
FOUNDATION, INC.
(2nd AND 4th SUPERVISORIAL DISTRICTS)
(3 VOTES)**

SUBJECT

Approval to terminate the Tri-Partite Agreement among the County of Los Angeles, Regents of the University of California and the Harbor-UCLA Medical Foundation, Inc., for itemized physician component billing for patient care services rendered at Harbor-UCLA Medical Center and the distribution of the resulting revenue and to terminate the Non-Physician Practitioner Medicare Billing Services Agreement, with the Harbor-UCLA Medical Foundation Inc. for itemized non-physician practitioner services billing services.

IT IS RECOMMENDED THAT THE BOARD:

1. Approve and delegate authority to the Director of the Department of Health Services (DHS) or his designee to terminate without cause the Tri-Partite Agreement among the County of Los Angeles, the Regents of the University of California, and the Harbor-UCLA Medical Foundation Inc. (MFI), Contract No. 68203, which involves the provision of itemized billing for physician patient care services rendered at Harbor-UCLA Medical Center (H-UCLA MC), and distribution of the resulting revenue, effective March 1, 2016.

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patient-centered, cost-effective
health care to Los Angeles County
residents through direct services at
DHS facilities and through
collaboration with community and
university partners.*



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2. Approve and delegate authority to the Director of the Department of Health Services or his designee to terminate, without cause, the Non-Physician Practitioner Medicare Billing Services Agreement, Contract No. H-705113, with the MFI for itemized non-physician practitioner Medicare billing services for patient care services rendered at H-UCLA MC and Rancho Los Amigos National Rehabilitation Center (RLANRC) for services provided on or after March 1, 2016.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the first recommendation will allow H-UCLA MC to end its existing arrangement which provides for both itemized claiming of physician professional services and the use of the revenue that results from such claiming, effective March 1, 2016. The present arrangement is no longer desirable in the current healthcare environment. This action would allow the MFI to complete its collection efforts for all physician professional services billed as of February 29, 2016.

The agreement with MFI to bill for non-physician practitioners was an adjunct to the work done by MFI under the Tri-Partite Agreement. Approval of the second recommendation will allow DHS to terminate that agreement in light of the end of the Tri-Partite Agreement. The effective date is structured to allow the MFI to complete its billing and collection efforts for all Medicare non-physician practitioner services with dates of service on or before February 29, 2016, with payment remitted to each hospital, respectively.

Implementation of Strategic Plan Goals

The recommended actions support Goal 1, Operational Effectiveness/Fiscal Sustainability, of the County's Strategic Plan.

FISCAL IMPACT/FINANCING

In DHS' FY 2015-16 mid-year budget adjustment, DHS will account for changes in both revenues and costs as a result of the termination of the Tri-Partite Agreement under the County, which will be prorated based upon a March 1, 2016 effective date. This will include funding for the special step placements/salary adjustments approved by the Chief Executive Office under the authority of County Code Section 6.08.445G, services/ supplies, and capital assets appropriation that collectively will not exceed the projected prorated FY 2015-16 revenues from services previously billed under the Tri-Partite Agreement of \$1.65 million. The annual funding of \$5.0 million will be included in the DHS FY 2016-17 Budget.

The fiscal impact of the Non-Physician Practitioner Medicare Billing Services Agreement on H-UCLA MC's and RLANRC's net revenue budgets are not significant, as DHS will be making alternative arrangements for the continuation of non-physician practitioner Medicare billing.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

DHS entered into the current Tri-Partite Agreement with UCLA and the MFI on May 5, 1995. The Tri-Partite Agreement provides for itemized billing for physician services provided to patients with third party payors other than Medi-Cal and for the distribution of the proceeds of that claiming. DHS does not have the requisite systems to bill for physician services on an itemized basis, although it anticipates having that ability once Online Real-time Centralized Health Information Database is fully

operational. Meanwhile, in lieu of itemized billing, H-UCLA MC will obtain reimbursement from Medicare on a cost basis by exercising the Part A election, similar to LAC+USC Medical Center and Olive View-UCLA Medical Center. The Part A election precludes H-UCLA MCs physicians from billing Medicare on a fee-for-service basis for professional services provided at the hospital. Under the Part A election, Medicare does not require itemized claims and instead will reimburse H-UCLA MC on a cost-basis through the cost report for physician professional services. Billing for professional services for private insurance and worker's compensation will continue and will be managed by the DHS Consolidated Billing Office. DHS believes that these revenue streams will be sufficient to pay the approximately \$5.0 in annual additional costs, discussed below.

The Tri-Partite Agreement provides for either party to terminate the Agreement with or without cause at any time by giving at least one hundred-twenty (120) days prior written notice to the other parties.

As part of H-UCLA MC's plan to mitigate the impact from the termination of the Agreement, the Chief Executive Office, under the authority of County Code Section 6.08.445G, approved special step placements/salary adjustments to be paid to fifty-nine physicians, employed by the County, who received revenue through the Tri-Partite Agreement in FY 2014-15. The special step adjustments will result in permanent additional compensation to the physicians; however, the salary adjustments will only be in place for 12 months, starting in March, 2016. The additional compensation, whether temporary or permanent, will facilitate physician retention, and provide for the continuation of mission critical services at the hospital and will be administered by DHS. In addition, H-UCLA MC will incur expenses for office supplies, billing services, building maintenance and capital assets that benefit the H-UCLA MC campus, which had previously been paid through the Tri-Partite Agreement. The funding required to sustain these services is \$5.0 million annually. DHS will submit a request for prorated funding in its FY 2015-16 mid-year budget adjustment and annual funding in its FY 2016-17 Status Quo Budget Request that will be budget neutral.

As with physician professional services, DHS has not had the systems to bill Medicare on an itemized charge basis for non-physician practitioners. It therefore entered into the current Non-Physician Practitioner Billing Agreement, No. H-705113, with MFI on December 6, 2011, with the term extending through June 30, 2016. The work was an adjunct to the work MFI was doing in order to bill for physician services to the same patients. This Agreement allows the County to terminate the Agreement, at any time, without cause, when the County deems this to be in its best interest, upon giving at least ten (10) days' notice.

CONTRACTING PROCESS

Not applicable.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The termination of the agreements will not have any effect on the provision of services.

The Honorable Board of Supervisors

10/13/2015

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Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mitchell Katz". The signature is written in a cursive, flowing style.

Mitchell H. Katz, M.D.

Director

MHK:ja

c: Chief Executive Office
Interim County Counsel
Executive Office, Board of Supervisors